

**MAYVILLE COMMUNITY SCHOOLS**

Mayville, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional information)

June 30, 2008

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September 3, 2008

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Mayville Community Schools  
Mayville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Mayville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2008 on our consideration of Mayville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages *i* through *viii* and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education  
Mayville Community Schools  
September 3, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayville Community Schools' basic financial statements. The combining additional information on page 23 to 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Mayville Community Schools has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Mayville Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to general profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools must also be considered when assessing the *overall health* of the School District.

The School District's net assets totaled \$2,215,473 and \$1,892,476 at June 30 2008 and 2007, respectively. The following is a summary of the District's net assets at June 30, 2008 and 2007:

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Current assets	\$ 4,585,088	\$ 4,180,704
Capital assets net depreciation	<u>15,046,016</u>	<u>14,935,387</u>
Total assets	<u>\$19,631,104</u>	<u>\$19,116,091</u>
<b>Liabilities</b>		
Current liabilities	\$ 3,212,348	\$ 2,950,781
Long-term liabilities	<u>14,203,283</u>	<u>14,272,834</u>
Total liabilities	<u>\$17,415,631</u>	<u>\$17,223,615</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 738,933	\$ 581,350
Restricted for capital projects	897,499	1,122,744
Restricted for Debt Service	531,185	369,000
Unrestricted	<u>47,856</u>	<u>( 180,618)</u>
Total net assets	<u>2,215,473</u>	<u>1,892,476</u>
Total liabilities and net assets	<u>\$19,631,104</u>	<u>\$19,116,091</u>

Total net assets increased to \$2,215,473 in 2007-08 compared to a total of \$1,892,476 in net assets in 2006-07, an increase of \$322,997. The major components of the increase in the net fixed assets are as follows:

- **Building Project**  
Capital assets net value increased as a result of the 14.54 Million dollar building project.

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2008 and 2007 is as follows:

	2008	2007
<b>Revenues</b>		
Program Revenues		
Fees for services	\$ 193,445	\$ 209,436
Operating grants	624,588	538,263
General revenue		
State Foundation	7,001,958	7,668,049
Property Taxes	1,544,490	1,465,424
Other	233,174	344,212
<b>Total Revenues</b>	<b>\$ 9,597,655</b>	<b>\$10,225,384</b>
<b>Expenses</b>		
Instruction	\$ 4,913,115	\$ 5,467,978
Support Services	2,606,674	2,729,133
Community Services	-	2,750
Food Service	373,225	409,572
Athletics	169,428	218,364
Capital Projects	-	(99,756)
Capital Outlay (non-capitalized)	5,780	33,791
Interest on long-term debt	646,943	644,279
Depreciation - unallocated	559,493	551,112
<b>Total Expenses</b>	<b>\$ 9,274,658</b>	<b>\$ 9,994,174</b>

INCREASE IN NET ASSETS	2008	2007
Net assets - July 1	\$ 1,892,476	\$ 1,661,266
Net assets - June 30	2,215,473	1,892,476
<b>Total</b>	<b>\$ 322,997</b>	<b>\$ 231,210</b>

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The financial condition of the governmental funds changed moderately as indicated by the combined fund balance of \$2,071,905 in 2007-08, compared to \$1,870,666 in 2006-07. This change is largely a result in finalizing expenditures of funds collected from passing the bond issue for the building project.

In the General Fund, our principal operating fund, the fund balance increased \$235,273. This increase was the result of a combination of a reduction in spending, an increase in state funding; reductions in retirement cost, and lower than normal increases in health insurance.

For the 2007-8 fiscal year, the Debt Service Fund millage rate was 17.7953 mills. Millage rates are determined annually to ensure the School District accumulated sufficient resources to pay annual bond issue-related debt service.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2008, the School District amended the budget of this major governmental fund four times.

*General Fund*

In the general fund, the actual revenues were \$8,098,276. This is above the original budget estimate of \$7,986,732 and below the final amended budgeted amount of \$8,143,570.

General Fund revenues and other financing sources totaled \$8,138,464 and total expenditures and other financing uses \$7,903,191 for the year. The fund balance was \$609,456 at June 30, 2008.

**GOVERNMENTAL FUND EXPENDITURES**

The following chart illustrates that general fund comprises 83% of all the expenditures within the governmental funds of the School District. As of June 30, 2008, expenditure totaled \$9,278,053.

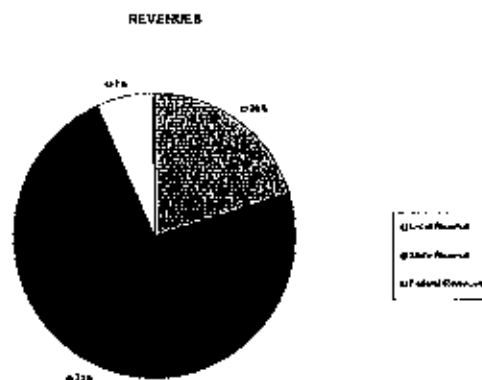
	June 30, 2008	% of TOTAL
General Fund	\$ 7,754,238	83%
Special Revenue Fund	542,653	6%
Debt Retirement Fund	828,962	9%
Capital Projects Fund	271,357	3%
Total	\$ 9,278,053	100%

# MAYVILLE COMMUNITY SCHOOLS MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

## TOTAL REVENUES

Revenues for all governmental funds totaled \$9,558,261 in fiscal year 2007-08. The following graph illustrates the district revenues by source as a percentage of total revenue:

Local Revenue	\$ 1,931,715	20.2%
State Revenue	\$ 7,001,958	73.2%
Federal Revenue	\$ 624,588	6.6%
<b>TOTAL</b>	<b>\$ 9,558,261</b>	



## Unrestricted State Aid

The district is predominately funded by State Aid, which has remained between 73%-76% of total revenue for the last three school years; however, for the 2007-08 fiscal year, the State raised the level of funding to \$7,204 per pupil. State Aid membership was \$7,085 per pupil in 2006-07 and \$6,875 for 2005-06.

## Property Taxes

The district levied 17.7953 mills, of property taxes on all Non-Homestead property located within the district for General Fund operations during the 2007-08 school year. This millage rate was above the 17.7472 mills that the district levied in the 2006-07 school. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2007-08 Non-homestead property tax levy totaled approximately \$569,431.

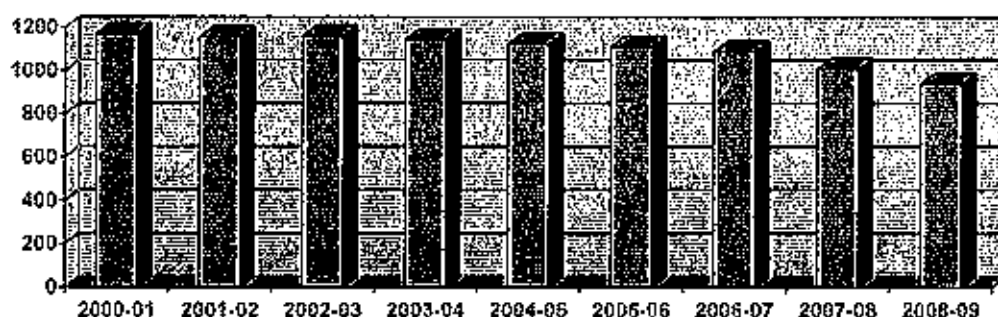
The District levies 6.0000 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the 2007-08 year was \$975,853.

# MAYVILLE COMMUNITY SCHOOLS MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

## Enrollment

The enrollment of Mayville Community Schools totaled 1009 students in 2007-08. This is a decrease in enrollment of 69 students from the 2006-07 year. The School District is located in Tuscola and Lapeer Counties and it is considered a rural community. The School District's enrollment includes students K-12 and Before K students, located in learning centers in Mayville.

Enrollment over the last eight years, plus a 2008-09 projection is illustrated as follows:



Enrollment is important to the financial health of the School District because State funding is based on the per-pupil formula. For the fiscal year ended June 30, 2008, the gross per-pupil allowance was \$7,204.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2008, the School District had \$19,531,145 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$4,798,330 has been depreciated. Net book value totals \$14,732,815. The majority of the buildings have been either constructed or remodeled as a result of the 2004 Bond Issue. The district is committed to the timely repairs and maintenance of its facilities. The District's capitalization policy threshold is \$5,000.

	Governmental Activities
Buildings and Improvements	\$17,175,516
Land and Improvements	439,822
Equipment and Furniture	1,023,743
Buses and Other Vehicles	892,064
Total	\$19,531,145

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

*Debt*

**OUTSTANDING DEBT AT YEAR-END**

At June 30, 2008, the School District had \$14.7 million in debt outstanding as compared to 15.2 million at the end of the previous year. The bonds outstanding consisted of the following:

Bus Notes	\$ 55,255
Energy Notes	\$ 680,000
Durant Issue	\$ 78,968
School Improvement Notes	\$ 230,000
2004 Building and Site Bonds	\$13,725,000
Compensated absences and incentives	\$ 489,489

It needs to be noted that the Durant Issue is a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate for these bonds, the School District is under no obligation for payment. The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

State statutes limit the amount of debt school can issue. The School District's outstanding debt of \$14.7 million is under the statutory imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The School District's revenue is heavily dependent on enrollment, State funding, and thus, the health of the State's School Aid Fund. The State periodically holds revenue consensus conferences to estimate its revenues. Based on the results of these conferences, the State determines whether they have sufficient to meet the \$7,314 per student allocation that they have indicated that they will fund for the 2008-09 school year.

The State's current blending formula (25% February 2007 count and 75% September 2008 count) is the same formula that was used in the 2007-08 school year. The district's blended count is projected to be lower in the 2008-09 school year.

Even if the State revenues improve, future budget reductions may be required to handle the increasing costs, such as health insurance, State mandated retirement contribution and the ever-increasing costs of fuel and the utilities because the district's population will continue to decline.

**MAYVILLE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of Mayville Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

William Hartzell, Superintendent  
Mayville Community Schools  
6250 Fulton Street, Mayville, MI 48744-9103  
Telephone – 989-843-6115, ext 205 Fax -- 989-843-6988  
E-mail – hartzellw@mayville.k12.mi.us

## BASIC FINANCIAL STATEMENTS

**MAYVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

		<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash & equivalents	\$	120,726
Investments		2,888,288
Taxes receivable		7,236
Due from other governmental units		1,568,838
<b>TOTAL CURRENT ASSETS</b>		<b>4,585,088</b>
<b>NONCURRENT ASSETS:</b>		
Deferred bond costs, net of amortization		313,201
Buildings and improvements		17,175,516
Land and improvements		439,822
Equipment and furniture		1,023,743
Buses and other vehicles		892,064
Less accumulated depreciation		(4,798,330)
<b>TOTAL NONCURRENT ASSETS</b>		<b>15,046,016</b>
<b>TOTAL ASSETS</b>		<b>\$ 19,631,104</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$	94,487
Note payable		1,600,000
Salaries and benefits payable		752,147
Accrued expenses		53,369
Payroll liabilities		382
Accrued interest payable		113,112
Deferred Revenue		5,562
Compensated absences payable, current portion		141,398
Retirement incentives payable, current portion		55,162
Bonds payable, current portion		365,000
School bus loans payable, current portion		24,286
Durant bond payable, current portion		7,443
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,212,348</b>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences payable, long term portion		225,438
Retirement incentives payable, long term portion		67,491
Bonds payable, long term portion		13,807,860
School bus loans payable long term portion		30,869
Durant bond payable, long term portion		71,525
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>14,203,283</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		738,933
Restricted for Capital Projects		897,499
Restricted for Debt Service		531,185
Unrestricted		47,856
<b>TOTAL NET ASSETS</b>		<b>2,215,473</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 19,631,104</b>

The accompanying notes are an integral part of the financial statements

**MAYVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 4,913,115	\$ 350	\$ 293,291	\$ (4,619,474)
Support services	2,606,674	150	125,696	(2,480,828)
Food services	373,225	145,576	205,601	(22,048)
Athletics	169,428	47,389		(122,059)
Capital outlay (noncapitalized)	5,780			(5,780)
Interest on long-term debt	646,943		-	(646,943)
Depreciation - unallocated	559,493			(559,493)
Total governmental activities	<u>\$ 9,274,658</u>	<u>\$ 193,445</u>	<u>\$ 624,588</u>	<u>(8,456,625)</u>
General revenues:				
Property taxes, levied for general purposes				568,637
Property taxes, levied for debt service				975,853
State aid - unrestricted				7,001,958
Transfers from other districts				36,501
Interest and investment earnings				102,971
Other				93,702
Total general revenue				<u>8,779,622</u>
Change in net assets				322,997
Net assets, beginning of year				1,892,476
Net assets, end of year				<u>\$ 2,215,473</u>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>2004 DEBT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash & equivalents	\$ 68,402			\$ 52,324	\$ 120,726
Investments	1,356,067	\$ 998,284	\$ 531,185	2,752	2,888,288
Due from other funds	50,471			-	50,471
Due from other governmental units	1,566,375			2,463	1,568,838
<b>TOTAL ASSETS</b>	<u>\$ 3,041,315</u>	<u>\$ 998,284</u>	<u>\$ 531,185</u>	<u>\$ 57,539</u>	<u>\$ 4,628,323</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 20,399	\$ 63,633		\$ 10,455	\$ 94,487
Note payable	1,600,000				1,600,000
Due to other funds	-	37,152		13,319	50,471
Benefits payable	258,894				258,894
Salaries payable	493,253				493,253
Accrued expenses	53,369				53,369
Deferred revenue	5,562				5,562
Payroll liabilities	382				382
<b>TOTAL LIABILITIES</b>	<u>2,431,859</u>	<u>100,785</u>	<u>-</u>	<u>23,774</u>	<u>2,556,418</u>
<b>FUND BALANCE:</b>					
Reserved		897,499	\$ 531,185	-	1,428,684
Unreserved:					
Designated for compensated absences & early retirement incentives	462,893				462,893
Undesignated	146,563			33,765	180,328
<b>TOTAL FUND BALANCE</b>	<u>609,456</u>	<u>897,499</u>	<u>531,185</u>	<u>33,765</u>	<u>2,071,905</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 3,041,315</u>	<u>\$ 998,284</u>	<u>\$ 531,185</u>	<u>\$ 57,539</u>	<u>\$ 4,628,323</u>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2008**

**Total Fund Balances - Governmental Funds** **\$ 2,071,905**

Total net assets reported for governmental activities in the statement of net assets is different because:

Deferred bond issuance cost	225,653
Deferred bond issuance cost	124,087
Amortization of bond issuance cost	(30,088)
Amortization of bond issuance cost	(6,451)

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is:	19,531,145
Accumulated depreciation is:	(4,798,330)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Accrued compensated absences	(366,836)
Accrued retirement incentives	(122,653)
Accrued interest	(113,112)
Bonds payable	(14,635,000)
Notes payable	-
Bus loans payable	(55,255)
Discount on bond refunding	189,018
Deferred amount on bond refunding	298,465
Amortization of bond discount	(9,826)
Amortization of deferred amount	(15,517)
Durant bonds	(78,968)

Balance of taxes receivable at 06/30/08 less allowance for doubtful accounts, expected to be collected after September 1, 2008	7,236
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<b>Net Assets of Governmental Activities</b>	<b>\$ 2,215,473</b>
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**MAYVILLE COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	GENERAL FUND	CAPITAL PROJECTS	2004 DEBT	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources	\$ 701,511	\$ 46,112	\$991,147	\$ 192,945	\$ 1,931,715
State sources	6,977,778		.	24,180	7,001,958
Federal sources	418,987			205,601	624,588
<b>TOTAL REVENUES</b>	<b>8,098,276</b>	<b>46,112</b>	<b>991,147</b>	<b>422,726</b>	<b>9,558,261</b>
<b>EXPENDITURES:</b>					
Current					
Education					
Instruction	4,954,393				4,954,393
Supporting services	2,624,364				2,624,364
Community services	-				-
Food services				373,225	373,225
Athletic services				169,428	169,428
Capital outlay	5,780	271,357		-	277,137
Debt service			828,962	-	828,962
<b>TOTAL EXPENDITURES</b>	<b>7,584,537</b>	<b>271,357</b>	<b>828,962</b>	<b>542,653</b>	<b>9,227,509</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>513,739</b>	<b>(225,245)</b>	<b>162,185</b>	<b>(119,927)</b>	<b>330,752</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan payments - principal	(125,120)				(125,120)
Loan payments - interest & fees	(44,581)				(44,581)
Sale of property	3,687				3,687
Transfers from other districts	36,501				36,501
Transfer in	-			148,953	148,953
Transfer out	(148,953)				(148,953)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(278,466)</b>	<b>-</b>	<b>-</b>	<b>148,953</b>	<b>(129,513)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>235,273</b>	<b>(225,245)</b>	<b>162,185</b>	<b>29,026</b>	<b>201,239</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>374,183</b>	<b>1,122,744</b>	<b>369,000</b>	<b>4,739</b>	<b>1,870,666</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 609,456</b>	<b>\$ 897,499</b>	<b>\$531,185</b>	<b>\$ 33,765</b>	<b>\$ 2,071,905</b>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2008**

<b>Total net change in fund balances--governmental funds</b>	<b>\$ 201,239</b>
Total change in net assets reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(559,493)
Capital outlay	356,921
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of year	104,677
Accrued interest payable, end of year	(113,112)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	265,000
Amortization of bond issuance costs	(4,554)
Amortization of bond issuance costs	(7,522)
Amortization of bond discount	(6,936)
Amortization of deferred amount	(10,953)
Proceeds of long-term debt are other financing sources and principal payments are expenditures in the governmental funds, but not in the statement of activities	
Repayment of long term debt	125,120
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue at the beginning of the year	(8,030)
Accrued revenue at the end of the year	7,236
Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental	
Accrued compensated absences at the beginning of the year	372,167
Accrued compensated absences at the end of the year	(366,836)
Accrued early retirement incentives at the beginning of the year	90,726
Accrued early retirement incentives at the end of the year	(122,653)
<b>Change in net assets of governmental activities</b>	<b><u>\$ 322,997</u></b>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2008

	<u>AGENCY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash	\$ 61,586	\$ -	\$ 61,586
Investments	67,820		67,820
<b>TOTAL ASSETS</b>	<b><u>\$ 129,406</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 129,406</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
LIABILITIES:			
Due to student groups	<u>\$ 129,406</u>		<u>\$ 129,406</u>
NET ASSETS			
Reserved for scholarships		\$ -	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 129,406</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 129,406</u></b>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
June 30, 2008

	<u>PRIVATE PURPOSE TRUST FUND</u>
	<u>DEGROW</u>
ADDITIONS:	
Donations	<u>-</u>
DEDUCTIONS:	
Scholarships	<u>\$ 2,000</u>
CHANGE IN NET ASSETS	\$ (2,000)
NET ASSETS:	
Beginning of year	2,000
End of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Mayville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Mayville Community Schools (the "District") is governed by the Mayville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital activities funded with bonds issued in September 2004. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Fund. The project for which the 2004 School Building and Site Bonds were issued was considered substantially completed on June 1, 2008.

The following is a yearly summary of the revenues and expenditures for the 2005 School Bonds activity:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>TOTAL</u>
Revenue and other financing sources	\$14,334,906	\$ 471,461	\$ 194,286	\$ 46,112	\$ 15,046,765
Expenditures and other financing uses	\$ 1,300,473	\$7,311,816	\$ 5,275,620	\$ 271,357	\$ 14,159,266

The above total revenue figure includes net bond proceeds of \$14,202,926.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose* trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spend for student scholarships. These funds are not included in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 17.80 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 to August, 2007. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No.40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**3. Property Taxes.**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.7953
Debt Service Funds - Homestead and non-homestead	6.0000

**4. Prepaid items.**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets.**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**6. Compensated Absences.**

Vacation days are earned by employees based upon number of years of employment. Non-teachers employees accumulate sick days at the rate of one (1) sick day for every twenty-two (22) days of compensation with a maximum of twelve (12) days per year. Maximum accumulation shall be nine (9) times the days possible to accumulate in one (1) year. Non-teacher employees exceeding their maximum accumulation of sick days will be paid thirty five percent (35%) of their unused sick days exceeding the maximum accumulation. Non-teacher employees (excluding administrators) leaving the District with five (5) years of service will be paid for accumulated sick days at fifty percent (50%) of the employee's current daily rate of pay for each unused day. Administrators leaving the District with five years of service will be paid for accumulated sick days at thirty-five percent (35%) of the employee's current rate of pay for each unused day.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Teachers earn ten (10) sick days per year. Maximum accumulation shall be one hundred (100) days. Teachers exceeding their maximum accumulation of sick days will be paid forty percent (40%) of their unused sick days. Teachers leaving the District with fifteen (15) years of service will be paid for accumulated sick days at forty percent (40%) of the teacher's current daily rate of pay for each unused day.

**7. Unemployment Insurance.**

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

**8. Long-term obligations.**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Use of Estimates.**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year-end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (Continued):**

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

The district currently has a deficit fund balance in the Hot Lunch Fund of \$3,872. This is a violation of the uniform budgeting act.

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2008, the District had the following investments:

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment pool - MICMS	\$ 1,425,812	0.0027	AAAm	48.23%
MILAF External Investment pool - MIMAX	\$ 1,530,296	0.0027	AAAm	51.77%
Total fair value	<u>\$ 2,956,108</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):**

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$77,602 of the District's bank balance of \$227,218 was exposed to credit risk because it was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 120,726
Fiduciary Funds	61,586
Investments - Fiduciary Funds	67,820
Investments - District wide	<u>2,888,288</u>
	<u>\$ 3,138,420</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 4 - LONG-TERM DEBT:**

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences, claims and judgments, termination benefits and certain risk liabilities.

On February 1, 2007 the District refunded \$7,495,000 of the 2004 term bonds and added additional bonds in the amount of \$455,000. The \$7,950,000 2007 term bonds carry interest rates from 4.000% to 4.125%. The 2007 refunding enabled the District to reduce its total debt service payments over the next twenty-seven years by \$406,167 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$265,093.

Following is a summary of the various long-term debt of the school district:

Limited obligation (Durant) bond, due in annual installments of \$7,443 to \$45,836 through May 15, 2013 with interest of 4.76%.	\$ 78,968
Energy notes are due in annual installments of \$50,000 to \$75,000 through May 1, 2019 with interest of 4.15% due semi-annually.	680,000
School Improvement notes due in annual installments of \$25,000 to \$40,000 through May 1, 2015, with interest at 3.05% to 4.55% due semi-annually.	230,000
2004 Bond issue, due in annual installments of \$200,000 to \$510,000 through May 1, 2023, with interest at 3.00% to 4.60% due semi-annually	5,775,000
2007 Refunding, due in annual installments of \$40,000 to \$865,000 from 2021 through 2034 with interest at 4.000% to 4.125% due semi-annually	7,950,000
Bus notes payable, due in installments of \$5,500 to \$37,500 through July 1, 2011, with interest at 1.90% to 5.47%.	55,255
Less: Discount on bond refunding	(179,192)
Less: Deferred amount on bond refunding	(282,948)
Total bonded debt	14,307,083
Less: Deferred issuance costs	(313,201)
Accumulated compensated absences	366,836
Obligations under retirement incentives through 2008.	122,653
Total long-term debt	<u>\$14,483,371</u>

**MAYVILLE COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 4 - LONG-TERM DEBT (CONTINUED):**

**DEBT SERVICE REQUIREMENTS:**

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 396,729	\$ 594,532	\$ 991,261
2010	454,305	597,472	1,051,777
2011	420,668	567,670	988,338
2012	428,557	552,393	980,950
2013	438,964	537,620	976,584
2014-2018	2,275,000	2,434,730	4,709,730
2019-2023	2,535,000	1,937,254	4,472,254
2024-2028	3,125,000	1,352,744	4,477,744
2029-2033	3,830,000	583,378	4,413,378
2034-2038	865,000	35,681	900,681
	<u>14,769,223</u>	<u>9,193,474</u>	<u>23,962,697</u>
Discount on bond refunding	(179,192)		(179,192)
Deferred bond issuance costs	(313,201)		(313,201)
Deferred amount on bond refunding	(282,948)		(282,948)
Retirement incentives payable	122,653		122,653
Accumulated compensated absence	<u>366,836</u>	<u>-</u>	<u>366,836</u>
	<u>\$14,483,371</u>	<u>\$ 9,193,474</u>	<u>\$23,676,845</u>

An amount of \$531,185 is available in the debt service fund to service the general obligation debt.

**CHANGES IN LONG-TERM DEBT:**

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2008:

	<u>ACCUMULATED SICK &amp; VACATION PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt - July 1, 2007	\$ 462,893	\$15,159,343
Net decrease in accumulated compensated absences	(5,331)	
Additions:		
Retirement incentives payable	68,250	
Deductions:		
Retirement paid	(36,323)	
Bus notes paid		(24,286)
School improvement notes paid		( 25,000)
Installment loan paid		(25,834)
Durant bond paid		-
2004 bond issue paid		(265,000)
Energy notes paid	<u>-</u>	<u>(50,000)</u>
Total	<u>\$ 489,489</u>	<u>\$14,769,223</u>

Interest expense (all funds) for the year ended June 30, 2008 was \$634,791.

**MAYVILLE COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2008

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% for July 1 through September 30, 2007 and 16.72% for October 1 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2008, 2007, and 2006 were \$725,462, \$800,484, and \$785,756, respectively, and were equal to the required contribution for each year. The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**NOTE 6 - OPERATING LEASES:**

The District has an operating lease for various copy machines that includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2009	\$32,256
June 30, 2010	32,256
June 30, 2011	10,992

Lease and maintenance expense on the office equipment for the current year was \$34,475.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 7 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

**NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:**

Interfund receivable and payable balances at June 30, 2008 are as follows:

	<b><u>INTERFUND RECEIVABLE</u></b>	<b><u>INTERFUND PAYABLE</u></b>
General Fund	\$ 50,471	-
Capital Projects	-	\$ 37,152
Food Service	-	<u>13,319</u>
Total	<u>\$ 50,471</u>	<u>\$ 50,471</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 9 – TRANSFERS:**

Transfers between funds for the year ended June 30, 2008 were as follows:

<b><u>Fund</u></b>	<b><u>Transfers out</u></b>	<b><u>Transfers in</u></b>
General Fund	\$ 140,953	
General Fund	8,000	
Food Service		\$ 8,000
Athletic Fund		140,953
Total Transfers	<u>\$ 148,953</u>	<u>\$ 148,953</u>

The transfers to the food service and athletic funds from the general fund were to subsidize operations.

**MAYVILLE COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2008**

**NOTE 10 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
Assets not being depreciated – Land	\$ 25,000			\$ 25,000
Other capital assets:				
Building & improvements	17,118,898	\$ 31,618		17,150,516
Land improvements	374,822	65,000		439,822
Equipment and furniture	763,440	260,303		1,023,743
Buses and other vehicles	<u>975,092</u>	<u>          </u>	<u>\$ 83,028</u>	<u>892,064</u>
Subtotal	19,232,252	356,921	83,028	19,506,145
Accumulated depreciation:				
Building, Land				
& Building improvements	(3,005,322)	(414,792)		(3,420,114)
Land improvements	(87,949)	(19,745)		(107,694)
Equipment and furniture	(433,624)	(63,135)		(496,759)
Buses and other vehicles	<u>(794,970)</u>	<u>(61,821)</u>	<u>(83,028)</u>	<u>(773,763)</u>
Subtotal	(4,321,865)	(559,493)	(83,028)	(4,798,330)
Net other capital assets	<u>14,910,387</u>	<u>(202,572)</u>	<u>          -</u>	<u>14,707,815</u>
Total Net capital assets	<u>\$14,935,387</u>	<u>\$( 202,572)</u>	<u>\$          -</u>	<u>\$14,732,815</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$559,493.

**NOTE 11 – SUBSEQUENT EVENT:**

On August 26, 2008, a state aid note from Mayville State Bank in the amount of \$1,600,000 matured and was paid. The state aid note, which was recorded as a liability at June 30, 2008 on the balance sheet had an interest rate of 3.95%.

On August 26, 2008, the District borrowed \$1,600,000 on a state aid note. The note bears interest at a base rate of 2.80% and will mature on August 26, 2009.

**NOTE 12 – COMMITMENTS:**

The District has committed substantially all of the \$897,499 it has remaining in the capital projects fund for the completion of the \$14.135 million bond proposal construction project.

## REQUIRED SUPPLEMENTAL INFORMATION

**MAYVILLE COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Local sources	\$ 641,398	\$ 740,146	\$ 701,511	\$ (38,635)
State sources	6,980,637	6,986,571	6,977,778	(8,793)
Federal sources	364,697	416,853	418,987	2,134
<b>TOTAL REVENUES</b>	<u>7,986,732</u>	<u>8,143,570</u>	<u>8,098,276</u>	<u>(45,294)</u>
<b>EXPENDITURES</b>				
Instruction	4,834,443	4,978,462	4,954,393	24,069
Supporting services	2,639,787	2,607,022	2,624,364	(17,342)
Capital outlay	-	6,499	5,780	719
Community services	-	3,545	-	3,545
<b>TOTAL EXPENDITURES</b>	<u>7,474,230</u>	<u>7,595,528</u>	<u>7,584,537</u>	<u>10,991</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>512,502</u>	<u>548,042</u>	<u>513,739</u>	<u>(34,303)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	-	-	-	-
Loan payments - principal	(140,000)	(140,788)	(125,120)	15,668
Loan payments - interest & fees	(40,453)	(45,577)	(44,581)	996
Sale of school property	1,034	1,825	3,687	1,862
Transfers from other districts	6,000	9,000	36,501	27,501
Fund transfers	(135,800)	(156,982)	(148,953)	8,029
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(309,219)</u>	<u>(332,522)</u>	<u>(278,466)</u>	<u>54,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>203,283</u>	<u>215,520</u>	<u>235,273</u>	<u>19,753</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	374,183	374,183	374,183	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 577,466</u>	<u>\$ 589,703</u>	<u>\$ 609,456</u>	<u>\$ 19,753</u>

## ADDITIONAL INFORMATION

**MAYVILLE COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2008

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DURANT DEBT</u>	<u>2008</u>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 52,324		\$ 52,324
Investments	2,752		2,752
Due from general fund	-		-
Due from other governmental units	2,463		2,463
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 57,539</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 57,539</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Accounts payable	\$ 10,455		\$ 10,455
Payroll liabilities	-		-
Due to other funds	13,319		13,319
<b><u>TOTAL LIABILITIES</u></b>	<b><u>23,774</u></b>	<b><u>-</u></b>	<b><u>23,774</u></b>
<b><u>FUND BALANCE</u></b>			
Fund balances:			
Reserved			-
Unreserved:			
Undesignated	33,765		33,765
Total unreserved	33,765	-	33,765
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>33,765</u></b>	<b><u>-</u></b>	<b><u>33,765</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 57,539</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 57,539</u></b>

**MAYVILLE COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NONMAJOR FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DURANT DEBT</u>	<u>2008</u>
REVENUES			
Local sources	\$ 192,945		\$ 192,945
State sources	24,180		24,180
Federal sources	205,601		205,601
<b>TOTAL REVENUES</b>	<u>422,726</u>	<u>-</u>	<u>422,726</u>
EXPENDITURES			
Food services	373,225		373,225
Athletic services	169,428		169,428
Debt services			-
<b>TOTAL EXPENDITURES</b>	<u>542,653</u>	<u>-</u>	<u>542,653</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(119,927)</u>	<u>-</u>	<u>(119,927)</u>
OTHER FINANCING SOURCES (USES)			
Fund transfers in	148,953		148,953
Proceeds from refunding bonds			-
Bond premium			-
Payment to bond escrow agent			-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>148,953</u>	<u>-</u>	<u>148,953</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>29,026</u>	<u>-</u>	<u>29,026</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	4,739		4,739
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 33,765</u>	<u>\$ -</u>	<u>\$ 33,765</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 577,146	\$ 569,431	\$ (7,715)
Tuition and fees	500	500	-
Earnings on investments	42,000	41,565	(435)
Rental of school property	7,500	6,667	(833)
Other local revenues	113,000	83,348	(29,652)
<b>Total Local Sources</b>	<u>740,146</u>	<u>701,511</u>	<u>(38,635)</u>
<b>STATE SOURCES:</b>			
Foundation grant	36,837	36,837	-
Special education	106,234	106,234	-
At Risk	226,550	222,655	(3,895)
Vocational education	5,544	7,925	2,381
Other grants	6,598,032	6,590,753	(7,279)
Durant settlement	13,374	13,374	-
<b>Total State Sources</b>	<u>6,986,571</u>	<u>6,977,778</u>	<u>(8,793)</u>
<b>FEDERAL SOURCES:</b>			
ECIA Title I	327,139	333,839	6,700
ECIA Title II - Technology	2,870	2,870	-
ECIA Title II - Teacher	82,818	75,737	(7,081)
ECIA Title V	2,026	2,026	-
Other	2,000	4,515	2,515
<b>Total Federal Sources</b>	<u>416,853</u>	<u>418,987</u>	<u>2,134</u>
<b>OTHER FINANCING SOURCES:</b>			
Loan proceeds	-	-	-
Sale of School property	1,825	3,687	1,862
Transfers from other districts	9,000	36,501	27,501
Transfers from other funds	-	-	-
<b>Total Other Financing Sources</b>	<u>10,825</u>	<u>40,188</u>	<u>29,363</u>
<b>TOTAL REVENUES</b>	<u>\$ 8,154,395</u>	<u>\$ 8,138,464</u>	<u>\$ (15,931)</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
Elementary			
Salaries	\$ 1,085,591	\$ 1,084,950	\$ 641
Employee benefits	565,690	563,894	1,796
Purchased services	27,560	28,636	(1,076)
Supplies and materials	32,276	12,270	20,006
Miscellaneous	400	360	40
Total Elementary	<u>1,711,517</u>	<u>1,690,110</u>	<u>21,407</u>
Middle school			
Salaries	721,681	721,680	1
Employee benefits	386,598	382,337	4,261
Purchased services	33,747	35,065	(1,318)
Supplies and materials	29,831	29,791	40
Miscellaneous	600	619	(19)
Total Middle school	<u>1,172,457</u>	<u>1,169,492</u>	<u>2,965</u>
High school			
Salaries	832,458	830,324	2,134
Employee benefits	424,975	425,772	(797)
Purchased services	34,177	32,690	1,487
Supplies and materials	40,550	38,326	2,224
Miscellaneous	400	148	252
Total High school	<u>1,332,560</u>	<u>1,327,260</u>	<u>5,300</u>
Pre-School			
Salaries	-	-	-
Employee benefits	9,332	9,332	-
Purchased services	49,516	49,516	-
Supplies and materials	-	-	-
Miscellaneous	-	-	-
Total Pre-School	<u>58,848</u>	<u>58,848</u>	<u>-</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>ADDED NEEDS:</b>			
Special education			
Salaries	\$ 206,451	\$ 205,541	\$ 910
Employee benefits	125,027	120,643	4,384
Supplies and materials	3,000	1,688	1,312
Total Special education	<u>346,351</u>	<u>340,878</u>	<u>5,473</u>
Compensatory education			
Salaries	171,284	168,384	2,900
Employee benefits	81,153	88,955	(7,802)
Purchased services	77,868	78,199	(331)
Supplies and materials	21,275	23,539	(2,264)
Miscellaneous	700	1,917	(1,217)
Total Compensatory education	<u>352,280</u>	<u>360,994</u>	<u>(8,714)</u>
Salaries	2,919	5,300	(2,381)
Employee benefits	1,530	1,511	19
Total Vocational education	<u>4,449</u>	<u>6,811</u>	<u>(2,362)</u>
<b>TOTAL INSTRUCTION</b>	<u>4,978,462</u>	<u>4,954,393</u>	<u>24,069</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES:</b>			
Support services- pupil			
Salaries	\$ 134,458	\$ 136,733	\$ (2,275)
Employee benefits	82,857	80,762	2,095
Purchased services	2,138	2,009	129
Supplies and materials	3,002	2,429	573
Miscellaneous	-	-	-
<b>Total Supporting services</b>	<u>222,455</u>	<u>221,933</u>	<u>522</u>
Support service- instructional staff			
Library			
Salaries	\$ 153,438	\$ 153,114	\$ 324
Employee benefits	75,180	77,309	(2,129)
Purchased services	3,000	2,998	2
Supplies and materials	8,775	6,088	2,687
Miscellaneous	8,250	8,150	100
<b>Total Support service- library</b>	<u>248,643</u>	<u>247,659</u>	<u>984</u>
Support service- general administration			
Board of education			
Salaries	7,000	5,100	1,900
Employee benefits	689	390	299
Purchased services	38,987	37,662	1,325
Supplies and materials	1,200	1,082	118
Miscellaneous	5,667	5,920	(253)
<b>Total General administration</b>	<u>53,543</u>	<u>50,154</u>	<u>3,389</u>
Executive administration			
Salaries	74,969	74,969	-
Employee benefits	42,072	42,071	1
Purchased services	6,441	6,504	(63)
Supplies and materials	2,950	1,315	1,635
Miscellaneous	1,900	1,615	285
<b>Total Executive administration</b>	<u>128,332</u>	<u>126,474</u>	<u>1,858</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service- school administration			
School administration			
Salaries	\$ 211,408	\$ 222,479	\$ (11,071)
Employee benefits	121,699	124,489	(2,790)
Purchased services	25,492	22,942	2,550
Supplies and materials	4,575	7,249	(2,674)
Miscellaneous	3,055	2,921	134
Total School administration	<u>366,229</u>	<u>380,080</u>	<u>(13,851)</u>
Other school administration			
Salaries	41,277	41,843	(566)
Employee benefits	30,218	30,322	(104)
Purchased services	-	-	-
Supplies and materials	100	-	100
Miscellaneous	-	-	-
Total Other school administration	<u>71,595</u>	<u>72,165</u>	<u>(570)</u>
Support services- business			
Business administration			
Salaries	34,014	34,014	-
Employee benefits	43,362	43,037	325
Purchased services	14,746	12,772	1,974
Supplies and materials	1,250	358	892
Miscellaneous	5,500	5,442	58
Total Business administration	<u>98,872</u>	<u>95,623</u>	<u>3,249</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Other business services			
Purchased services	-	-	-
Miscellaneous	\$ 57,221	\$ 63,155	\$ (5,934)
Total Other business services	<u>57,221</u>	<u>63,155</u>	<u>(5,934)</u>
Operations and maintenance			
Salaries	321,304	327,737	(6,433)
Employee benefits	208,019	209,742	(1,723)
Purchased services	73,102	73,760	(658)
Supplies and materials	276,806	275,824	982
Miscellaneous	250	(411)	661
Total Operations and maintenance	<u>879,481</u>	<u>886,652</u>	<u>(7,171)</u>
Pupil transportation			
Salaries	193,384	193,520	(136)
Employee benefits	111,795	112,229	(434)
Purchased services	24,767	26,519	(1,752)
Supplies and materials	75,700	74,971	729
Miscellaneous	910	779	131
Total Pupil transportation	<u>406,556</u>	<u>408,018</u>	<u>(1,462)</u>

**MAYVILLE COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
Support service-other			
Salaries	\$ 7,200	\$ 6,988	\$ 212
Employee benefits	650	490	160
Purchased services	64,729	63,608	1,121
Supplies and materials	1,516	1,365	151
Total Support service-other	<u>74,095</u>	<u>72,451</u>	<u>1,644</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>2,607,022</u>	<u>2,624,364</u>	<u>(17,342)</u>
Capital outlay			
Instructional services			
High school	-	-	-
Pre-School	-	-	-
Special education	-	-	-
Compensatory education	5,499	5,499	-
Supporting services			
Operating building	1,000	303	697
Pupil transportation	-	(22)	22
<b>TOTAL CAPITAL OUTLAY</b>	<u>6,499</u>	<u>5,780</u>	<u>719</u>

**MAYVILLE COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Community activities			
Miscellaneous	\$ 3,545	-	\$ 3,545
Total Community activities	<u>3,545</u>	<u>-</u>	<u>3,545</u>
TOTAL EXPENDITURES	<u>7,595,528</u>	<u>\$ 7,584,537</u>	<u>10,991</u>
OUTGOING TRANSFERS AND OTHER:			
Transfers to other funds	156,982	148,953	8,029
Loan payments - principal	140,788	125,120	15,668
Loan payments - interest & fees	45,577	44,581	996
TOTAL OUTGOING TRANSFERS AND OTHER	<u>343,347</u>	<u>318,654</u>	<u>24,693</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 7,938,875</u>	<u>\$ 7,903,191</u>	<u>\$ 35,684</u>

**MAYVILLE COMMUNITY SCHOOLS  
ALL SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
June 30, 2008**

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 17,439	\$ 34,885	\$ 52,324
Investments	-	2,752	2,752
Due from general fund	-		-
Due from other governmental units	2,463		2,463
<b>TOTAL ASSETS</b>	<b><u>\$ 19,902</u></b>	<b><u>\$ 37,637</u></b>	<b><u>\$ 57,539</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 10,455	-	\$ 10,455
Payroll liabilities		-	-
Due to general fund	13,319	-	13,319
<b>TOTAL LIABILITIES</b>	<b><u>23,774</u></b>	<b><u>-</u></b>	<b><u>23,774</u></b>
 <b>FUND BALANCE:</b>			
Fund Balance	(3,872)	\$ 37,637	33,765
<b>TOTAL FUND BALANCE</b>	<b><u>(3,872)</u></b>	<b><u>37,637</u></b>	<b><u>33,765</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 19,902</u></b>	<b><u>\$ 37,637</u></b>	<b><u>\$ 57,539</u></b>

**MAYVILLE COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
REVENUES:			
Local sources	\$ 145,576	\$ 47,369	\$ 192,945
State sources	24,180		24,180
Federal sources	205,601		205,601
<b>TOTAL REVENUES</b>	<u>375,357</u>	<u>47,369</u>	<u>422,726</u>
EXPENDITURES:			
Salaries and wages	78,779		78,779
Employee benefits	45,028		45,028
Purchased services	70,772		70,772
Supplies and materials	166,225		166,225
Capital outlay	-		-
Athletic activities		169,428	169,428
Miscellaneous	12,421		12,421
<b>TOTAL EXPENDITURES</b>	<u>373,225</u>	<u>169,428</u>	<u>542,653</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,132</u>	<u>(122,059)</u>	<u>(119,927)</u>
OTHER FINANCING SOURCES (USES):			
Fund transfers in	8,000	140,953	148,953
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>10,132</u>	<u>18,894</u>	<u>29,026</u>
FUND BALANCE AT BEGINNING OF YEAR	(14,004)	18,743	4,739
FUND BALANCE AT END OF YEAR	<u>\$ (3,872)</u>	<u>\$ 37,637</u>	<u>\$ 33,765</u>

**MAYVILLE COMMUNITY SCHOOLS  
DEBT SERVICE FUND  
BALANCE SHEET  
June 30, 2008**

	<b><u>ASSETS</u></b>	
Investments		
<b>TOTAL ASSETS</b>		<b><u>\$ -</u></b>
	<b><u>LIABILITIES &amp; FUND BALANCE</u></b>	
LIABILITIES:		
FUND BALANCE:		
Fund balance		
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>		<b><u>\$ -</u></b>

**MAYVILLE COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**

	<u>2004 DEBT</u>	<u>DURANT DEBT</u>	<u>TOTAL</u>
<b>REVENUES:</b>			
Local Sources:			
Property taxes	\$ 975,853		\$ 975,853
Interest	15,294		15,294
Total Local Sources	<u>991,147</u>		<u>991,147</u>
State Sources		-	-
<b>TOTAL REVENUES</b>	<u>991,147</u>	<u>-</u>	<u>991,147</u>
<b>EXPENDITURES:</b>			
Debt Service:			
Principal repayment	265,000	-	265,000
Interest and other fiscal charges	563,962	-	563,962
<b>TOTAL EXPENDITURES</b>	<u>828,962</u>	<u>-</u>	<u>828,962</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>162,185</u>	<u>-</u>	<u>162,185</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from refunding bonds	-		-
Bond premium	-		-
Payment to bond escrow agent	-		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>162,185</u>	<u>-</u>	<u>162,185</u>
<b>FUND BALANCES:</b>			
Beginning of Year	369,000	-	369,000
End of Year	<u>\$ 531,185</u>	<u>-</u>	<u>\$ 531,185</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE AT</u> <u>6/30/2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2008</u>
<u>Student activities</u>				
Boys basketball	\$ 5,862	\$ 6,641	\$ 4,272	\$ 8,231
Baseball	889	2,019	2,736	172
Class of 2005	(80)	80		-
Class of 2007	1		1	-
Class of 2008	2,743	3,640	6,267	116
Class of 2009	588	7,365	4,740	3,213
Class of 2014	341	4,158	4,198	301
Class of 2015	798	267	1,042	23
Class of 2016	1	22,288	21,543	746
Class of 2017	-	1,066	1,060	6
Class of 2018	878	-	593	285
AAU	4,915	2,523	1,805	5,633
ADV Science	225	-	-	225
Art	261	499	796	(36)
Assembly	10,978	2,906	3,691	10,193
Band	(199)	7,907	7,497	211
Cheerleading	100	1,026	1,070	56
Cheerleading Jr. High	-			-
Community for kids	74	-	-	74
DC 2012	1,048	9,043	10,083	8
Drama	3,479	2,382	2,380	3,481
HS Drama	53	791	60	784
Drivers Education	1,292	-	-	1,292
Ecology	1,289	-	154	1,135
Elementary library	1,554	10,331	7,395	4,490
Elementary pop	340	750	508	582
Elementary Revolving	7,407	2,413	3,159	6,661
Equestrian Team	152	-	-	152
Exchange	624	-	80	544
Future Homemakers of America	-			-
Football	8,840	9,441	13,406	4,875
Foot path	355	-	-	355
Fun Fair	2,682	10,634	11,554	1,762
Girls basketball	3,179	5,206	5,185	3,200
HS newspaper	131	-	-	131
Golf	728	-	-	728
Interest	11,725	3,799	11,725	3,799
JRFH	220	1,176	1,176	220
JWFB	580	-	-	580
Lab restoration	-	1,000	-	1,000
Library	278	1	193	86
Lock deposit	779	-	-	779
Mayville mornings	569	-	1	568

**MAYVILLE COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	BALANCE AT 8/30/2007	RECEIPTS	DISBURSEMENTS	BALANCE AT 6/30/2008
MAS 2010	\$ 574	\$ 175	\$ 523	\$ 226
MAS 2011	25	148	88	85
MAS 2012	703	3,193	2,218	1,678
MAS 2013	208	590	430	368
MPC	1,976	9,836	7,856	3,956
Middle school gazette	24	-	-	24
Middle school library	338	2,032	1,968	402
Middle school pop	343	347	328	362
Middle school revolving	10,715	24	327	10,412
Middle school robotics	49	2,059	561	1,547
Middle school student council	1,563	1	161	1,403
Middle school yearbook	1,622	2,544	2,574	1,592
Milk	203	1	-	204
NAHS	292	-	-	292
NHS	644	594	814	424
NOT	307	-	299	8
POMMS	145	-	140	5
Path finders	751	-	250	501
Playground	1,376	5,270	1,785	4,861
Pride society	114	-	-	114
Pop fund	1,000	-	-	1,000
Students against drunk drivers	40	140	107	73
Science award 8th grade	-	500	448	52
Science supply	23	5	-	28
Secretary	78	-	-	78
Ski club	555	135	355	335
Softball	949	962	1,052	859
Sophomore literature	34	-	-	34
Spanish club	581	2,298	2,752	127
Student council	2,543	1,225	1,963	1,805
Sunday basketball	1,269	234	212	1,291
Maier foundation	-	52,000	52,000	-
Textbook	181	381	-	562
Track	491	4,867	3,500	1,858
Trophy case	923	-	-	923
Use of facilities	938	1,468	1,000	1,406
Varsity volleyball	2,272	4,892	4,553	2,611
Wildcat AC	7,319	664	329	7,654
Mayville sports boosters	5,493	-	-	5,493
Wrestling	4	700	700	4
Weight lifting equipment	131	-	-	131
Yearbook	6,137	9,756	11,002	4,891
Arlene Western Grant	-	78,253	75,187	3,066
Arlene Western Scholarship Grant	-	10,000	10,000	-
<b>TOTAL ACTIVITY FUNDS</b>	<b>\$ 128,612</b>	<b>\$ 314,646</b>	<b>\$ 313,852</b>	<b>\$ 129,406</b>

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE**  
June 30, 2008

In September 2004, the District sold the 2004 School Building and Site Bonds in the amount of \$14,135,000 for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing, and refurbishing, equipping and re-equipping school facilities; acquiring, installing and equipping a new maintenance building; and developing and improving sites. \$7,495,000 of these bonds were refunded during the year ended June 30, 2007.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 290,000	3.00	\$ 114,819	\$ 114,819	2009	\$ 519,638
305,000	3.25	110,469	110,469	2010	525,938
315,000	3.50	105,513	105,513	2011	526,026
325,000	3.25	100,001	100,001	2012	525,002
335,000	3.38	94,719	94,719	2013	524,438
345,000	3.50	89,066	89,066	2014	523,132
360,000	4.00	83,029	83,029	2015	526,058
375,000	4.00	75,829	75,829	2016	526,658
390,000	4.05	68,329	68,329	2017	526,658
405,000	4.20	60,431	60,431	2018	525,862
425,000	4.25	51,926	51,926	2019	528,852
445,000	4.40	42,895	42,895	2020	530,790
465,000	4.50	33,105	33,105	2021	531,210
485,000	4.50	22,643	22,643	2022	530,286
510,000	4.60	11,730	11,730	2023	533,460
<u>\$ 5,775,000</u>		<u>\$ 1,064,504</u>	<u>\$ 1,064,504</u>		<u>\$ 7,904,008</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE**  
June 30, 2008

Refunding bonds in the amount of \$7,950,000 were issued February 1, 2007 to refinance \$7,495,000 of the 2004 Bonds (due to mature in the years 2024-2034) and new bonds were issued for \$455,000.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
		\$ 161,935	\$ 161,934	2009	\$ 323,869
		161,935	161,934	2010	323,869
		161,935	161,934	2011	323,869
		161,935	161,934	2012	323,869
		161,935	161,934	2013	323,869
		161,935	161,934	2014	323,869
		161,935	161,934	2015	323,869
		161,935	161,934	2016	323,869
		161,935	161,934	2017	323,869
		161,935	161,934	2018	323,869
		161,935	161,934	2019	323,869
		161,935	161,934	2020	323,869
\$ 40,000	4.000%	161,935	161,934	2021	363,869
45,000	4.000%	161,135	161,134	2022	367,269
45,000	4.000%	160,235	160,234	2023	365,469
580,000	4.000%	159,335	159,334	2024	898,669
600,000	4.000%	147,735	147,734	2025	895,469
625,000	4.000%	135,735	135,734	2026	896,469
645,000	4.000%	123,235	123,234	2027	891,469
675,000	4.000%	110,335	110,334	2028	895,669
700,000	4.125%	96,835	96,834	2029	893,669
735,000	4.125%	82,397	82,397	2030	899,794
765,000	4.125%	67,237	67,237	2031	899,474
800,000	4.125%	51,459	51,459	2032	902,918
830,000	4.125%	34,959	34,959	2033	899,918
865,000	4.125%	17,841	17,841	2034	900,682
<u>\$ 7,950,000</u>		<u>\$ 3,453,628</u>	<u>\$ 3,453,607</u>		<u>\$ 14,857,235</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - SCHOOL IMPROVEMENT**  
June 30, 2008

In December 2003, the District sold School Improvement Bond in the amount of \$315,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 25,000	3.05	\$ 4,440	\$ 4,440	2009	\$ 33,880
30,000	3.20	4,059	4,059	2010	38,118
30,000	3.50	3,579	3,579	2011	37,158
35,000	3.75	3,053	3,053	2012	41,106
35,000	4.15	2,398	2,398	2013	39,796
35,000	4.35	1,671	1,671	2014	38,342
40,000	4.55	910	910	2015	41,820
<u>\$ 230,000</u>		<u>\$ 20,110</u>	<u>\$ 20,110</u>		<u>\$ 270,220</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - ENERGY**  
June 30, 2008

In December 2003, the District sold Energy Bonds in the amount of \$870,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
\$ 50,000	4.15	\$ 14,110	\$ 14,110	2009	\$ 78,220
55,000	4.15	13,073	13,072	2010	81,145
55,000	4.15	11,931	11,931	2011	78,862
60,000	4.15	10,790	10,790	2012	81,580
60,000	4.15	9,545	9,545	2013	79,090
60,000	4.15	8,300	8,300	2014	76,600
65,000	4.15	7,055	7,055	2015	79,110
65,000	4.15	5,706	5,706	2016	76,412
65,000	4.15	4,358	4,358	2017	73,716
70,000	4.15	3,009	3,009	2018	76,018
75,000	4.15	1,556	1,556	2019	78,112
<u>\$ 680,000</u>		<u>\$ 89,433</u>	<u>\$ 89,432</u>		<u>\$ 858,865</u>

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 1998 ISSUE**  
June 30, 2008

\$133,737 Durant Bond issued 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 7,443	\$ 1,949	2009	\$ 9,392
45,836	17,263	2010	63,099
8,168	1,223	2011	9,391
8,557	834	2012	9,391
8,964	427	2013	9,391
<u>\$ 78,968</u>	<u>\$ 21,696</u>		<u>\$ 100,664</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**MAYVILLE COMMUNITY SCHOOLS**

ADDITIONAL REPORTS REQUIRED  
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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September 3, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Mayville Community Schools  
Mayville, MI 48744

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2008, which collectively comprise Mayville Community Schools' basic financial statements and have issued our report thereon dated September 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mayville Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mayville Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Education  
September 3, 2008

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance or other matters that we have reported to management of Mayville Community Schools in a separate letter dated September 3, 2008.

This report is intended solely for the information and use of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
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Timothy Franzel

Robert L. Tuckey, CPA

September 3, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Mayville Community Schools  
Mayville, MI 48744

**COMPLIANCE**

We have audited the compliance of Mayville Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Mayville Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Mayville Community Schools' management. Our responsibility is to express an opinion on Mayville Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mayville Community Schools' compliance with those requirements.

In our opinion, Mayville Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of Mayville Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mayville Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of Mayville Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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To the Board of Education  
September 3, 2008

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 3, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mayville Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF AGRICULTURE: Passed through Michigan Dept. of Education: Food Distribution Entitlement Bonus	10.550	\$ 18,610	-	-	\$ 18,610	\$ 18,610	-
	10.565	171	-	-	171	171	-
		18,781	-	-	18,781	18,781	-
Nutrition Cluster National School Breakfast	10.553	36,138	-	-	36,138	36,138	-
	10.555	150,682	-	-	150,682	150,682	-
		186,820	-	-	186,820	186,820	-
Total Nutrition Cluster		205,601	-	-	205,601	205,601	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE							
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: 815300708 Title I Part A 715300807 Title I Part A	84.010	327,139	-	-	59,221	333,839	\$ 274,618
	84.010	275,567	\$ 88,068	-	88,068	-	-
802500708 - Title V LEA Allocation 702500607 - Title V LEA Allocation	84.296	2,026	-	-	-	2,026	2,026
	84.296	1,977	1,977	-	1,977	-	-

(Continued)

**MAYVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION: (Continued) Passed through Michigan Dept. of Education: 842900708 ED Tech 742900607 ED Tech	84.318	\$ 2,870	.	-	-	\$ 2,870	\$ 2,870
	84.318	2,829	\$ 2,829	-	\$ 2,829	-	-
805200708 Title II A 705200607 Title II A	84.367	80,522	.	-	17,275	75,737	58,462
	84.367	82,324	65,049	-	65,049	-	-
804400708 Self Review	84.027	4,000	-	-	2,000	2,000	-
Passed through Tuscola Intermediate School District 5014-11 Tech Prep	84.243A	2,515	-	-	2,515	2,515	-
TOTAL U.S. DEPARTMENT OF EDUCATION		779,743	157,923	-	238,934	418,867	337,976
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 985,344	\$ 157,923	\$ -	\$ 444,535	\$ 624,568	\$ 337,976

**MAYVILLE COMMUNITY SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTES:**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mayville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciled with the amounts presented in the preparation of the financial statements.
2. Title I, CFDA #84.010 was audited as a major program and represents 53% of expenditures.
3. The threshold for distinguishing Type A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$418,987
Special Revenue Fund	<u>205,601</u>
Subtotal	<u>\$624,588</u>

6. The National School Lunch Program Commodities Entitlement award was \$18,610. The District received commodities totaling \$18,610. Based upon confirmation from the Michigan Department of Education, \$18,610 has been recorded.

**MAYVILLE COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

**CFDA Number(s)**  
84.010

**Name of Federal Program or Cluster**  
Title I

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**MAYVILLE COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section II -- Financial Statement Findings**

None

**Section III -- Federal Award Findings and Questioned Costs**

None

**MAYVILLE COMMUNITY SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Federal Awards Findings**

Condition:

Federal regulations require keeping semiannual time certifications for all employees charged solely to one federal program. Mayville Community School District did not obtain semiannual certifications for employees charged to the Title I federal program. There were two employees charged 100% to Title I. Even though they did not prepare the time certifications, there was other supporting documentation to verify the employee did work exclusively on Title I.

Recommendation:

Semiannual certifications should be obtained for all employees charged solely to Title I federal programs.

Current Status:

Semiannual time certifications are currently being prepared for all employees who have time charged to Title I federal programs.



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September 3, 2008

Members of the Board  
Mayville Community Schools

In planning and performing our audit of the financial statements of the Mayville Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 3, 2008 on the financial statements of Mayville Community Schools. Our comments are summarized as follows:

## Current Year Comments

### Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

### Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

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Members of the Board  
September 3, 2008  
Page two

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Mayville Community Schools and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Timothy Franzel

Robert L. Tuckey, CPA

September 3, 2008

To the Members of the Board  
Mayville Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Mayville Community Schools for the year ended June 30, 2008, and have issued our report thereon dated September 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 26, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Mayville Community Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Mayville Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Mayville Community Schools' compliance with those requirements.

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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 24, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Mayville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$368,836. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 3, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Mayville Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants